

EAST VALLEY SCHOOL DISTRICT NO. 361
Spokane County, Washington
September 1, 1993 Through August 31, 1994

Schedule Of Findings

1. The District Should Improve Controls Over The Purchase Of Meals At Local Restaurants

During our audit of the district's 1994 credit card expenditures, we found that management purchased approximately \$6,000 worth of meals at local restaurants. These meals represent 209 meetings in town, with one or more employees present. Additional local meals were purchased through the district's imprest account, but were not included in the total. Most of the purchases were not accompanied by documentation establishing the authorized purpose of the meals.

The district's authority for purchases of these meals must be derived from RCW 28A.320.050 which states in part:

The actual expenses of school directors in going to, returning from and attending upon directors' meetings or other meetings, called or held pursuant to statute shall be paid. Likewise, the expenses of school superintendents and other school representatives chosen by the directors to attend any conferences or meetings or to attend to any urgent business at the behest of the state superintendent of public instruction or the board of directors shall be paid...

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept or required to be kept, necessary to isolate and prove the validity of every transaction . . .

Meal purchases occurred and were not sufficiently documented, because the district lacked guidelines. The district did not adopt "Food and Beverage Consumption" policies and procedures until August 23, 1994. Without adequate policies and documentation for local meal purchases, the district may have acted beyond the limits of its statutory authority.

We recommend that the district improve internal controls by continuing to develop, implement and monitor policies and procedures that restrict local meal purchases to necessary and legitimate purposes.

2. The District Should Obtain Adequate Documentation To Support Payments

During our examination of the district's purchasing, receiving, and accounts payable internal control system, we noted several instances in which payments were made with inadequate documentation, e.g., copies of vendor invoices instead of original invoices, credit card slips instead of receipts, or nothing. This situation was reported during the last audit period, fiscal year 1993.

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept or required to be kept, necessary to isolate and prove the validity of every transaction

This situation occurred because district management allowed established internal controls to be circumvented.

Lack of proper documentation for transactions exposes the district to the risk of making improper and possibly invalid payments.

We again recommend that the district obtain adequate documentation necessary to support all transactions as required by law.

3. Internal Controls Over Associated Student Body (ASB) Accounting Should Be Improved

Our review of East Valley High School's ASB accounting records identified the following internal control weaknesses:

a. Cash Receipting

- (1) Funds received from students were not deposited immediately with the bookkeeper.
- (2) Receipts were not supported by documentation to substantiate amounts.
- (3) Mode of payment (cash/check composition) was not indicated on receipts.
- (4) The Senior Parents sponsored a show held at the high school. Tickets were sold on school premises by compensated school staff members during normal working hours. However, the proceeds were not deposited into the ASB to support student sanctioned activities. Instead, these funds were not receipted, but were kept in an envelope until picked up by the Senior Parents.
- (5) District employees received a discount on the purchase of family passes to athletic events.

b. Cash Disbursement

- (1) \$5-\$100 cash awards were provided to students for participation in a fund-raiser.
- (2) Proper student approval from the ASB Treasurer was not consistently obtained prior to disbursement.

Article XI, Section 15 of the Washington State Constitution requires that:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

Article VIII, Section 7 of the Washington State Constitution states that:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation

WAC 392-138-050(3) states in part that:

All disbursements from the associated student body program fund or any imprest bank account established thereunder shall have the prior approval of the appropriate governing body representing the associated student body.

Accounting Manual for School Districts, Chapter IX, Sec. ASB, Page 7 states in part:

Issue official prenumbered receipts for all moneys received . . . Maintain accounting records of financial transactions and files of supporting documents.

The district did not have adequate procedures in place to ensure that the ASB Fund was operated in compliance with statutes. Weak internal controls increase the risk that errors or theft will occur and not be detected in a timely manner, if at all. Additionally, we were unable to verify that all funds collected were deposited for the benefit of the ASB Fund.

We recommend that the district improve internal controls over ASB accounting by:

- a. Educating management and advisors on the laws governing ASB activities.
- b. Monitoring advisors for compliance with the laws.
- c. Requiring advisors to deposit funds immediately with the bookkeeper.
- d. Recording mode of payment on all receipts.
- e. Receipting all funds.
- f. Obtaining student ASB Treasurer approval for disbursements.
- g. Ceasing to gift public funds through the use of district resources, discounts to employees, and cash awards.

4. The District Should Maintain Adequate Documentation To Support Academic Credits Reported To The Superintendent Of Public Instruction (SPI)

During our review of staff mix, we noted that the district does not maintain adequate documentation to support the information submitted to SPI. We selected 10 certificated employee files for testing. We found that half of these files did not contain the required documentation to support the academic credits reported. Credits reported either were not documented by transcripts or did not agree with transcripts in the employee's files. Each exception noted was to the district's advantage.

School districts are required to annually report to SPI the academic credits of its certificated staff. SPI uses this information in its determination of the amount of financial support (apportionment) due the district.

To ensure that amounts reported are accurate, WAC 392-121-280 requires in part:

School districts shall have documentation on file and available for review which substantiates each basic education certificated instructional employees' placement on LEAP salary allocation documents. The minimum requirements are as follows:

- (2) Districts shall document academic credits by having on file a transcript from the registrar of the regionally accredited institution of higher education granting the credits

When the district submits erroneous information to SPI, the district's apportionment may be incorrect.

These errors occurred because supporting transcripts were accidentally discarded and because the district did not verify the accuracy of the information reported to SPI.

We recommend the district review all certificated employee files and obtain any needed documentation to verify and support academic credits reported to SPI. We also recommend the district contact SPI to correct any inaccurate information reported.